

Lot # 9 Maluhia at Wailea Development Pro Forma DRAFT PROPOSAL - HYPOTHETICAL PROJECTIONS - NOT A SECURITIES OFFERING - FOR DISCUSSION PURPOSES ONLY																			
Sources	Total	Q3 - 2010	Q4 - 2010	Q1 - 2011	Q2 - 2011	Q3 - 2011	Q4 - 2011	Q1 - 2012	Q2 - 2012	Q3 - 2012	Q4 - 2012	Q1 - 2013	Q2 - 2013	Q3 - 2013	Q4 - 2013	Q1 - 2014	Q2 - 2014	Q3 - 2014	Q4 - 2014
Interest Strip Financing (see footnote 1)	1,073,615	201,881	61,099	62,347	63,627	64,939	66,283	67,662	69,075	70,524	72,008	73,531	75,091	19,650	20,143	20,649	21,167	21,698	22,243
Total Sources	1,073,615	201,881	61,099	62,347	63,627	64,939	66,283	67,662	69,075	70,524	72,008	73,531	75,091	19,650	20,143	20,649	21,167	21,698	22,243
		202,890	265,309	329,294	394,886	462,123	531,049	601,704	674,133	748,380	824,490	902,511	982,490	1,007,151	1,032,430	1,058,344	1,084,909	1,112,140	1,140,054
Uses																			
Interest on \$2,750,000 First Mortgage at 3.00% Paid Current / 1.00% Accured (see footnote 2)	469,469	39,122	39,122	39,122	39,122	39,122	39,122	39,122	39,122	39,122	39,122	39,122	39,122						
Interest on Vertical Construction Loan	-													Construction Loan	Construction Loan	Construction Loan	Construction Loan	Construction Loan	Construction Loan
Interest Strip Financing @ 8.00% Current 2.00% Deferred	260,546	3,958	5,176	6,425	7,704	9,016	10,361	11,739	13,153	14,601	16,086	17,608	19,169	19,650	20,143	20,649	21,167	21,698	22,243
Delinquent HOA Fees	38,000	38,000																	
Estimated Bankruptcy Costs	50,000	50,000																	
Estimated Real Estate Taxes / Insurance / HOA Fees	255,600	70,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	Construction Loan	Construction Loan	Construction Loan	Construction Loan	Construction Loan	Construction Loan
Total Uses	1,073,615	201,881	61,099	62,347	63,627	64,939	66,283	67,662	69,075	70,524	72,008	73,531	75,091	19,650	20,143	20,649	21,167	21,698	22,243
Vertical Development Profit Participation Scenario (assumed to last 18 months)																			
Completed Home Value Associated with Vertical Improvements	8,000,000																		
Completed Home Value Associated with Lot	8,000,000																		
Total Value of Completed Home	16,000,000																		

Summary of Profit Participation Associated with Development of Vertical Improvements

Completed Home Value Associated with Vertical Improvements	8,000,000
Less: Sales Commission of 5.0%	(400,000)
Gross Sales Proceeds	7,600,000

Summary of Profit Participation Associated with Lot

Completed Home Value Associated with Lot	8,000,000
Less: Sales Commission of 5.0%	(400,000)
Gross Sales Proceeds	7,600,000

Estimated Development Expenses

Vertical Construction Loan (Construction Cost / Insurance / HOA / Real Estate Taxes) (see footnote 3)	2,700,000
Vertical Construction Loan Interest @ 6.50% (Est. term is 18 months)	516,478
Developer Fees	300,000
Interest during Vertical Development to Interest Strip Investor @ 8% paid current 2.00% Deferred	125,549
Total Estimated Development Expenses	3,642,027

Expenses Associated with Lot

Repayment of Existing First Mortgage (see footnote 2)	2,597,208
Repayment of Strip Financing from Land Banking (Principal and Interest)	948,066
Total Expenses Associated with Lot	3,545,274
Total Net Profit Associated with Lot	4,054,726

Net Profit Associated with Development of Vertical Improvements

3,957,973

Distribution of Net Profit Associated with Lot

Profit Participation to Sponsor @ 50%	2,027,363
Interest Strip Financing @ 50%	2,027,363
Total Distribution of Net Profit Associated with Lot	4,054,726

Distribution of Net Profit Associated with Development of Vertical Improvements

Vertical Profit Participation to Interest Strip @ 10.00%	395,797
Vertical Profit Participation to Sponsor @ 90.00%	3,562,176
Total Distribution of Net Profit Associated with Development of Vertical Improvements	3,957,973

1 The \$870,145 Interest Strip Financing may be raised upfront or in annual intervals

2 The outstanding amount of the First Mortgage is estimated to be the outstanding principal and interest pre bankruptcy. These projections illustrate the first mortgage being paid off in 36-months, however, the terms of the Plan of Reoranzition allow for a potential 5-year term for the current first mortgage

3 In approximately Year 4, the construction loan will take out the existing \$2,750,000 first mortgage. The \$2,700,000 estimated vertical cost will include interior finishes. Other purchases of lots at Maluhia at Wailea have construction successfully constructed homes on the site for less than \$2,700,000 estimate. The estimated take out of the existing first mortgage including accrued interest of (\$2,597,208) plus the vertical constrution loan (\$2,700,000) and associated interest of (\$516,478) is approximately 36% of the completed home value of \$16,000,000

Est. IRR to Interest Strip if \$1,073,615 if \$1,073,615 is committed upfron1 56.54% 10% interest, pro rata share of vertical and horizontal profit

"Interest Strip" Financing Proceeds Required by Year						
Anticipated Project Status	Land Banking			Construction		
				Year 5		
	Total	Year 1	Year 2	Year 3	Year 4	(6 months)
"Interest Strip" Proceeds Required by Year						
Current Interest on \$2,750,000 First Mortgage at 3.0%	469,469	156,490	156,490	156,490		
Interest Strip Financing @ 8.00% Current 2.00% Deferred	260,546	23,264	44,269	67,464	81,608	43,941
Delinquent HOA Fees	38,000	38,000	-	-		
Bankruptcy Costs (if applicable)	50,000	50,000	-	-		
Real Estate Taxes / Insurance / HOA Fees	255,600	121,200	67,200	67,200		
	1,073,615	388,953	267,959	291,154	81,608	43,941

Year 1 Investors	43.55%	10% interest, pro rata share of vertical and horizontal profit
Year 2 Investors	62.27%	10% interest, pro rata share of vertical and horizontal profit
Year 3 Investors	103.74%	10% interest, pro rata share of vertical and horizontal profit
Year 4 Investors	54.94%	10% interest, pro rata share of horizontal profit
Year 5 Investors	777.41%	10% interest, pro rata share of horizontal profit
** If the \$1,073,615 is funded on a yearly basis, some of the IRR's increase as the project moves closer to development but it must be understood that these are hypothical projections only and my vary due to any number of changes in circumstances and the timing of certain events.		